

Congress of the United States
Washington, DC 20515

May 10, 2012

The Honorable Pat Tiberi
Chairman
House Ways and Means Committee
Subcommittee on Select Revenue Measures
106 Cannon House Office Building
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
House Ways and Means Committee
Subcommittee on Select Revenue Measures
2208 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Tiberi and Ranking Member Neal:

I appreciate the opportunity to submit for the record a letter in support of the Section 181 film production tax extender that expired on December 31, 2011. This tax provision is a vital component of the nation's overall economy by encouraging film and television production in the United States.

Section 181 helps to counteract incentives put in place in the 1990s by many foreign governments to encourage the movement of U.S. film production overseas. Some foreign governments have been increasingly aggressive in promoting incentives to attract U.S. production overseas. As a result of these overseas subsidies, we saw more and more U.S. film production moving overseas in the 1990s and throughout the early 2000s. Consequently, what were once high-paying jobs in the U.S. disappeared and moved overseas.

In 2004, Congress recognized the need to combat what had become known as "runaway" production by approving favorable depreciation for U.S.-based film and television production under Section 181 of the Internal Revenue Code. Section 181 lowers the cost of capital for domestic production by providing immediate expensing on the first \$15 million of film production costs. To be eligible, 75% of the production must occur in the United States. To qualify for the Section 181 expensing, at least 75 percent of the total compensation must be for services performed in the United States by actors, directors, producers and other personnel relevant to the film's production. Without Section 181, film and television producers would instead have to depreciate their production costs in relatively small portions over a number of years.

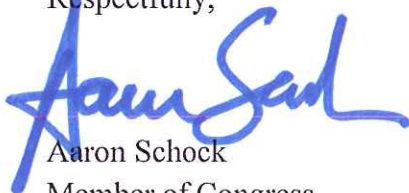
Film and television production occurs in all 50 states and the industry creates well-paying jobs and generates tangible benefits to local communities nationwide. The average motion picture employs 350-500 people. In addition, a major motion picture shooting on location contributes \$225,000 every day to the local economy, generating revenue and jobs for a wide range of local businesses such as lodging, caterers, dry cleaners, restaurants, equipment rental, lumber yards, transportation vendors, and a host of others. The majority of these local employers are small businesses with ten or fewer workers.

The film and television industry is a vital engine for economic development and employment in numerous cities and states throughout the country. Earlier this week, New York City Mayor Michael Bloomberg announced the results of an economic study that details the economic impact of New York City's media and entertainment industries. The basic findings are that New York City gained 40,000 media and entertainment jobs over the past decade, that the film and television industry generated \$7.1 billion in direct spending in New York City in 2011, and that film and television production now employs over 130,000 people in the Big Apple.

While Americans largely think of California and New York as film producing areas, the industry is becoming a critical economic development engine in states like Ohio, Illinois, and Louisiana where recent major motion pictures such as "The Avengers", "Transformers 3", and "Contagion" respectively were filmed and created numerous jobs.

Extension of Section 181 is vitally important to help sustain growth in domestic film production which is a strong contributor to growth in the overall economy. For the reasons mentioned, I strongly support Section 181's extension.

Respectfully,

A handwritten signature in blue ink, appearing to read "Aaron Schock", is written over the printed name.

Aaron Schock
Member of Congress